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SUBJECT: CHIRAC VISIT TO INDIA: FOCUS ON BUSINESS, NUCLEAR ISSUES, IRAN

REF: NEW DELHI 01321

Classified By: Political Minister-Counselor, Josiah Rosenblatt, for reasons 1.4(b) and (d).

¶1. (C) SUMMARY. MFA India desk officer told us February 28 that Chirac's February 19-21 visit to India focused primarily on further improving business relations and exploring French-Indian nuclear cooperation; other issues included military and space cooperation. While the two countries delivered a joint declaration on the development of nuclear energy for peaceful purposes, Vassy said that the GoF was clearly looking to see what developed during President Bush's visit to the country to determine how nuclear cooperation between India and members of the NSG would evolve. Vassy characterized Indian PM Singh's stance on Iran as "courageous" in light of elections taking place in several regions and India's significant Shi'a population. END SUMMARY.

¶2. (C) MFA India deskoff, Louis Vassy briefed poloff February 28 on Chirac's February 19-21 visit to India. Vassy, who had been a member of Chirac's advance party and stayed throughout the visit, said that a major focus of the trip was promoting French-India business relations and investment, which was successful despite the danger that tensions over Lakshmi Mittal's take-over bid for the major European steel producer Arcelor would upstage success stories from the trip. Some 30 business leaders from major French companies went to India with Chirac and the delegation expressed interest in investing in diverse areas, including infrastructure, IT, pharmaceuticals, food processing, automobiles and aeronautics. New Delhi and Paris also agreed to double bilateral trade over the next five years and to boost the inflow of French direct investment to \$1 billion in the next three years. Vassy outlined a few of the major commercial deals struck on the trip to include an agreement to sell 43 passenger Airbus planes worth \$2.5 billion and a \$270 million deal to sell 15 ATR 72-500 aircraft (used for shorter commercial routes).

¶3. (C) Vassy said that nuclear cooperation was a priority of both sides and that France and India came out with a joint "Declaration of Nuclear Energy for Peaceful Purposes" (faithfully reproduced and reported on along with Chirac's trip in general in REF A). Vassy said that the GoF now needed to see how other members of the NSG, prominent among them the U.S., would work to bring India into the nuclear fold. Vassy asked about progress being made on this front in advance of President Bush's trip to India.

¶4. (C) Vassy said that India and France signed a Defense Cooperation Agreement that would pave the way for more joint exercises and training operations between the two countries in addition to promoting defense industry cooperation. When

asked about a sale of Rafale aircraft, Vassy replied that it had been discussed and that the two major areas of concern regarding the potential sale of the French aircraft to India were technology transfer and cost. He said that the Rafale aircraft was much more sophisticated than its predecessor, the Mirage, and that "sensitive" discussions took place over technology transfer issues. The second area of concern, according to Vassy, was price; the Rafale would cost significantly more than the Mirage, and the French had to justify the higher price tag. Until recently the Mirage was being considered for GOI purchase until the manufacturer, Dassault Aviation, informed the Indian Government of its decision to stop making the jet.

¶15. (C) Vassy said that the importance of maintaining pressure on Iran was also discussed during the visit. With five Indian states due to hold elections in the coming month, the high Shi'a population in India, and the communist party's strategy of rallying against the government on foreign policy issues, Vassy said the French praised PM Singh's "courageous" decision to support the U.S. (and French) position on Iran's nuclear program.

¶16. (C) Vassy also said that UNSC enlargement was discussed briefly and that India had agreed to participate in the International Conference on New Development Financing Mechanisms currently taking place in Paris.

¶17. (C) Vassy said that Chirac's personal interest in fostering relations with India was palpable at the MFA. Contact between the MFA's regional bureau and the President's office was frequent, which he described as both a blessing and a curse. On one hand, he said, his office enjoyed the attention of officials in more powerful positions while, on the other, it experienced a loss of autonomy as decisions

usually made at lower levels were often addressed at higher echelons in the government.

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